Pourquoi des entreprises familiales meurent ou survivent aux crises. Proposition d’un cadre d’analyse de la pérennité à long terme des entreprises familiales

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Why do family businesses die or survive? A framework of frameworks

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Abstract:

In this document we will show the relevance of the analytical framework proposed by Jared Diamond as a way to synthesize the internal and external factors which explain the longevity of family business (FB). The analytical framework of Jared Diamond on the collapse of human societies is presented, in its static and dynamic dimensions, and at the same time the analysis that it provides for the longevity of FB is discussed. The corpus of interviews of the Observatoire de la Pérennité des Entreprises Familiales - OPEF (Observatory of the Sustainability of Family Business) is then explored using this analytical framework. We will discuss its transferability to the situation of FB. In conclusion we explore the potential of the framework proposed by Jared Diamond to propose a dynamic approach to FB.

Discipline: management sciences

Key terms: sustainability, family business, values, territories, collapse

Introduction

In this research our focus is the very long term survival or the collapse of Family Businesses. If some FBs have survived for many decades, do they owe it only to luck, to a favorable business environment, to good family governance and networks, to extraordinary individuals? The answer is probably a combination of all these factors, but how should they be integrated into one global conceptual framework? This article tells the tale of a quest for this framework and its application based on a corpus of interviews.

The literature on Family Business has provided many explanations as to why such businesses survive or die (Antheaume et al., 2013; Arrègle et al., 2004; Colli et al., 2003; Ibrahim et al., 2009; Lubinski, 2011; Mignon, 2000; Olson et al., 2003; Stafford et al., 1999). It has also provided explanations as to what the commitment of the family brings to the family business (FB) in terms of advantages or disadvantages (Arrègle et Mari, 2010; Davis et Tăgădărescu, 1982; Habbershon et Williams, 2000; Habbershon, 2006; Habbershon et Williams, 1999; Habbershon et al., 2003; Miller et Le Breton-Miller, 2005). Each of these contributions relies

1 We define a FB in accordance with Chua, Chrisman & Charm (Chua et al., 1999) as business which is « governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generation of the family or families ».
on a specific theoretical framework and answers one specific group of questions. Understanding the “fate” of a family business would require an integration of these contributions into a multidimensional framework. The existing contributions to understanding the longevity of FB can be compared to a jigsaw puzzle. Even if the research on FB uses systems analysis (Stafford et al.) it never integrates all the pieces of the puzzle.

**Our aim is to conceive a comprehensive framework which includes and connects the relevant pieces of the puzzle identified in the literature, and to test it.**

In order to do so, we looked outside the field of FB at research that is specifically focused on the survival or death of human societies and civilizations. Researchers in this field encourage their peers to look beyond their own disciplines for answers to their questions (Costanza et al., 2012). In order to assemble the different pieces of the puzzle which may explain why a specific civilization has died or survived, they have developed integrated frameworks which can be a source of inspiration. This is congruent with the tradition of research on FB which has a history of importing conceptual frameworks from other fields (Agency theory, Socioemotional Wealth, Resource Based View) as mentioned by Berrone et al., (2012).

In that respect the writings of Jared Diamond (2005) on the collapse of human societies enabled us to see FBs in a way that had not been seen before: as small scale human societies with a long history, not just as hierarchical organizations with a command and control system. As we will see later there are parallels to be drawn between the traditional societies which Jared Diamond studied and a family business which has been controlled by the same family for more than one generation. This focus provided the level of complexity needed to integrate into one framework the fragmented contributions to understanding the history of FB and relate the different pieces of the puzzle to each other.

**Figure 1 : Jared Diamond and the collapse of societies**

Jared Mason Diamond (born on September 10, 1937) is an American evolutionary biologist, physiologist and geographer. Doctor of physiology, he widened his fields of study through his career to include ethology (the biology of birds in Papua New Guinea), the history of the environment and finally geography. His multiple involvements in small stateless societies of Papua New Guinea widened his horizons to include the question of how sustainable human societies are. Hence he asked whether modern societies will be able to last, given the current growth of the world’s population, and confronted with the increase in economic and energy needs. He made up his mind based on an investigation which took him around the world both in space and time. He started with societies that have already collapsed, then moved on to contemporary societies, including the ones that managed to survive or to stop a process of collapse in the past. The result of this comparative study, of an unrivalled scale, is a list of five factors that are potentially always involved in the collapse of a human society: environmental damage linked to human activity and/or natural catastrophes, a climate change, hostile neighbors, an interruption of trade with vital partners and finally, the value based solutions provided by a society to its problems.

Therefore **to build this integrative framework** we propose to organize the rest of the article as follows: part 1 will demonstrate how fragmented research on the longevity of FB is. Part 2 will present the conceptual framework of Jared Diamond and how it has the potential for integrating the different dimensions of FB longevity. Part 3 will translate this framework into
the language of business. Part 4 will present the use of this framework based on a corpus of interviews with family business members. We will suggest questions for research and make the link between Diamond’s framework and existing concepts in FB literature. In the conclusion we will outline a number of limitations and propose leads for future research.

1 FB longevity: a fragmented literature

When we set out to investigate the following question “why do family businesses die or survive?” we reviewed the literature in the field of family business for answers. This led us to identify what was studied and using which theoretical concepts (1.1. Subjects) and at what level - individuals, families, businesses, business environment, … (1.2. Levels of analysis). This led us to argue that the literature is diverse, covers a wide range of subjects but is not integrated (1.3.)

1.1 FB longevity: what subjects and what concepts

If we look at research on FB longevity we find articles related to strategy, governance, management (HR and organization) and succession

The literature on FB and strategy usually uses a resourced based view to explain how FBs diversify or not, innovate or not (Robic, 2007; Sharma, 2005; Ward, 1988). The literature on strategy also looks at FBs specific competitive advantage, usually in close relationship with the concepts of familiness, stewardship and socioeconomic wealth (Allouche et Amann, 1998; Arrègle et al., 2004; Habbershon et Williams, 1999; Miller et Le Breton-Miller, 2005).

A second subject in terms of importance is related to the governance of FBs (Miller et Le Breton-Miller, 2006; Hirigoyen, 2002; Allouche et Amann, 2002; Sharma et Nordqvist, 2008). The concepts of familiness, stewardship and socioeconomic wealth are also very present; and so is agency theory, adapted to the framework of FB, as well as the Olson circumplex (Olson, 1986) which enable to analyse the dynamics of the family, management and stakeholders.

The field of human resources is covered by authors such as Landsberg (1983) and Mignon et Ben Mahmoud-Jouini (2014). The main themes that appear are the relationship between non-family and family members and how the FB recruits and uses family members as employees.

There is also work on how FBs organise themselves creating subsidiaries and financial holdings (Amar et al., 2010).

Another emerging and underrepresented management theme is how FBs move from an informal management based on personal relationships to a more formal one with the introduction of tools and processes (Meyssonnier et Zawadzki, 2008; Nobre et Zawadzki, 2013; Nobre et Zawadzki, 2015; Barbelivien, 2015).

Of course there is also a very abundant body of literature on succession (Amar et al., 2010; Carlock et Ward, 2001; Lambrecht et Pirnay, 2008; Nordqvist et Zellweger, 2010; Sharma et al., 2003; Sharma et Irving, 2005) in which on top of familiness, stewardship and SEW, concepts such as social capital, psychological ownership, invisibility and visibility also come
into play (Koffi et Lorrain, 2005 ; Labardin et Robic, 2009 ; Le Breton-Miller, 2011 ; Robic, 2009 ; Robic et al., 2015). More recently Antheaume et al., (2013) had the idea of using the concept of sustainable development. They compared the way of thinking of FB members, from long standing FBs with the framework of sustainable development. They concluded that FBs, which had existed over many generations, had put sustainable development into practice even before the concept came into existence.

1.2 FB longevity: what levels of analysis

Let us start with levels of analysis. We identified five of them and present them in ascending level of perspective. The first level is individuals (Miller et Le Breton-Miller, 2006 ; Bernhard, 2011 ; Lubinski, 2011). A second one is the family business (Ibrahim et al., 2009 ; Ben Mahmoud-Jouini et al., 2010 ; Lumpkin et Brigham, 2011 ; Miller et Le Breton-Miller, 2005). A third one is the family+family business system (Arrègle et al., 2004 ; Olson, 1986 ; Olson et al., 2003 ; Davis et Tagiuri, 1982). A fourth one focuses on the FB as a nexus of networks from the family, the employees and the stakeholders (Allouche et Amann, 2002 ; Granovetter, 1985). A fifth one, the macro level, exists when it is linked with how families were not able to adapt to a changing business environment and took the wrong decisions for their FB (Colli et others, 2002).

1.3 A lack of integration and a gap

So far, to our knowledge, although different concepts and levels of analysis exist, no research has interconnected them in a framework which would encompass them all, with the idea of explaining why businesses die or survive. The literature we have reviewed above is usually concerned with one or two levels at the most and none is multilevel as defined by Hitt et al. (2007). According to these authors in order to understand the complexity of a given phenomenon, researchers should be able to link levels of analysis which range from the macro level to the micro level. They identify six levels (individuals, groups, subunits, organizations, inter-organizational networks, environments) and propose guidelines on how to understand the interaction between the levels so as to better interpret research results. For example in order to “improve understanding of organizational performance”, the macro approach links strategies and the economic environment but does not explain how strategies are formulated inside organizations. For this, it is needed to investigate both the network, organizational and individual levels. If one does not investigate all these levels, the study of the relationship between strategy and firm performance cannot be fully understood. The macro level is not sufficient. The research on FB longevity has not yet integrated all these dimensions into one comprehensive framework.

At each level of analysis identified we do find clues as to why some businesses may have died or survived. Individuals may appear committed, or not, to transmitting the FB to the next generation. They may, or not, feel that this mission has a priority over other personal projects. They might, on the contrary identify too closely with the FB and will be unable to imagine that the business can be associated to another person in the family. At the FB level, the company may or not have managed to adapt to its business environment. At the FB + family level the family may have, or not, managed to reconcile the interests of the business with those of the family, or the family may or not be functional enough to run the business.
The concepts we identified are used to provide these clues and they are associated with one or two levels of analysis at most. Such concepts as visibility, invisibility, psychological ownership, stewardship or social capital are usually analyzed at the individual level, in relationship with either the family or the FB. Familiness and socioeconomic wealth concerns the family + FB system in relationship with its business environment. Agency theory, adapted to the field of FBs concerns the relationship between family principals and non-family as well as family agents. It is useful when and if there is a clear separation between ownership and management. As for the resource based view it analyzes the relationship between the FB and its business environment. Individually, each of these concepts can be used as a variable to explain the death or the survival of a business. For example, if we come back to psychological ownership, the inability of the owner-manager to imagine a separation between himself and the FB can lead to a failed succession. However the time frame of such research usually concentrates on the event itself and a few years before or after.

Furthermore apart from a few exceptions (Antheaume et al., 2013; Richomme-Huet et d’Andria, 2012; Cadiou et Cadiou, 2015) this literature does not extend to the very long term (more than 20 years).

These are the reasons for which we went to look for ideas in other fields than management.

In these other fields, researchers have investigated the longevity of human civilizations over the very long term. They have used frameworks which include multiple levels and long-time horizons. The research which inspired us the most is the work of Jared Diamond on the collapse or survival of over thirty different civilizations which he studied in depth. Other examples of integrative research can also be found on the IHOPE Project website (http://ihopenet.org/).

2 Methodology

Since the field of FB has imported frameworks from other fields of management and from other disciplines in the past, as mentioned by Berrone et al. (2012), we propose to prolong this tradition by importing the integrative approach of Jared Diamond and applying it to FBs. In terms of methodology we proceeded first by drawing parallels (2.1.) and then by testing if the concepts for which we had drawn these parallels could be matched, or not (2.2.).

2.1 Drawing parallels between concepts

There are parallels to be drawn between FBs and the traditional human societies which Diamond studied. According to the author of “Collapse” (Diamond, 2005) the social structure of a traditional society is the following one: a chief, the members of his family, a religious leadership and a multilevel system of vassals. We started with the idea that this description could be used for a family business. The only missing element in a family business is the religious leadership, which is not formally separated from the function of chief. Still it can be argued that in some FBs where power has been handed out to a new generation, the older generation which still interacts with the FB, has a “religious influence” on the organization. If and when things go well, the presence of the former owner manager, even though he doesn’t run the company anymore can inspire and reassure family members and employees alike that the new generation is not left on its own.
Once these parallels are drawn we needed to test of parallel concepts could be effectively matched with one another.

2.2 Matching Diamond’s framework to the work on FBs

In order to test the workability of Diamond’s framework, we set out to match a corpus of interviews with family business members from the region of Pays de la Loire in France. These interviews were carried out between 2008 and 2018 for a wide range of research purposes in the field of FB: understanding their longevity, identifying invisible management and the link between family and FB, studying how family members become FB entrepreneurs, understanding the emergence of formalised management control in FBs, explaining how intangible family and relational capital can be leveraged to enrich the resources of the FB.

Our panel now includes 15 Family Businesses which are 100% owned. Ten of the FBs in this panel have belonged to the same family for at least three generations out of which two of them for at least five generations. The five others are second generation businesses. Six of them are in the field of industry. Another three are in the agri-food business. Three are in the public works sector. Two others are in the field of services. One is an agricultural company. The number of employees ranges from seven to 2 000, with all size categories being represented. Since 2007 we conducted more than 200 hours of individual and collective interviews, with more than 50 people (FB owners, family members with management responsibilities, family members with shares but no management responsibilities). All interviews were transcribed.

When we carried out these interviews we did not have in mind the framework of J. Diamond. Therefore, our interviews can be considered as independent from the research proposal of this article. Despite this, we wanted to see if they contained elements, facts, events which could be matched with Jared Diamond’s framework and provide an integrated analysis of a body of interviews conducted with very different perspectives in mind (Resource based view, Stewardship, Sustainable development, Strategic analysis and Actor Network theory, Socialization). However we are aware that our database and the way we analyse it corresponds to a specifically French cultural, social and economic context.

We proceeded in the following way. We first set out to list the components of Jared Diamond’s framework and to translate them in the language of business. Then we looked for matching examples in the interviews. Our assumption is that if there was no match, the framework would not provide a useful integration of all dimensions. The more matches we could find with each category of the framework, the more relevant it would be.

The first advantage of testing JD’s framework on already existing interviews is that we did not design them with the framework in mind. We were not able to influence interviewees. It means that what they told us in the interviews if it is matched with JD’s framework is present in their mind without us making suggestions. Thus it can be assimilated to a material extracted from a corpus of non-directive interviews. The second advantage is that this data belongs to the authors and the colleagues with which they worked. We have a good knowledge of its contents, of the persons interviewed and of the FBs concerned. This knowledge base gives us an edge in interpreting the data. Without this knowledge base, it would have taken much longer to carry out this analysis.

After ten years of research in the FB, with a focus on their longevity, this was an opportunity to integrate in one framework all the pieces of the work we had carried out.
3 Matching a corpus of interviews with the model

J. Diamond’s model contains three components: a static part with a list of factors that can cause the collapse of a society (3.1.), a dynamic one, which analyses the process by which decline and collapse happens (3.2.), and an analysis of the values carried by elites (3.3.). We will look successively at these three aspects and match them with illustrations when available from our database of interviews.

3.1 A static multifactor model

In his book published in 2005, J. Diamond proposes an analytical framework to explain why human societies collapse and why others survived. Several factors can explain their disappearance or survival. In this subsection we will review them and translate them into “the language of business”. We will distinguish between external factors, relational factors and internal factors.

**External factors: crisis situations, hostile competitors**

J. Diamond distinguishes two external factors.

The first corresponds to a sudden shock which forces a society into a situation of extreme fragility. For the author of “Collapse”, climate change is a major factor. For our panel of companies, one recent external factor is indisputably the 2008 financial crisis. This crisis weakened entire economic sectors and plunged the European zone into a long lasting slump. In our panel of FBs the most affected were in the construction sector (enterprises C and P) and the sectors linked to leisure (Enterprise Pi, motor homes, and B, naval construction) with drops in sales of up to 30%. This first factor seems transferable to our analytical framework. The financial crisis, like climate change, is an event that no society or enterprise can individually control.

The second factor is conquest or defeat by a hostile society. In the introduction to his work J. Diamond develops the example of the fall of the Roman Empire. It ended up being overcome by barbarian attacks. He underlines the complexity of such an analysis by signaling that this defeat is the result of multiple previous events. Climate change in the steppes was favorable to the barbarians and, perhaps, increased their capacity to organize themselves better. In parallel there was a weakening of the structure of the Roman Empire, mainly due to its size. Thus, even though we consider that defeat from an enemy is an external factor, this underlines that collapse is not caused by this a single event but by multiple ones which took place before the defeat. They can be both internal and external. Applied to FBs, one must exercise the same caution when analyzing an economic defeat, which could be described for example as a loss of market share because of increased competition. The consequence would be an eventual disappearance of the company, through bankruptcy or, at least, the loss of its status of FB through a merger or an acquisition. In this case, this loss of status implies a loss of all the values and the resources which are specific to a FB, such as familiness which is born from the combination of the resources of a family with the resources of a business. This is why we must also carry out an analysis of relational factors, which put the relations between the FB and its business environment in perspective.

**Relational factors: the power of networks**
J. Diamond proposes two factors which concern the relationship with a third party.

The first factor concerns the degradation of an environment on which a society relies in order to survive. Once this environment is deteriorated, the members of a society can no longer have access to the resources that they need. The most apparent case proposed by J. Diamond is that of Easter Island. This society degraded its environment so much that it irreversibly changed the conditions for its own survival. If we transfer this factor to our analytical framework, the natural environment corresponds to the economic and social network more than to the natural resources of the territory in question. For the Pi enterprise (a motor home manufacturer), the layoffs that took place during the crisis provoked recruitment difficulties afterwards because the company had betrayed the trust of the local communities as concerns employment. The consequences were recruitment problems for qualified workers, less commitment and a greater level of cynicism from employees and their entourage (Figure 2 :).

Figure 2 : Economic crisis and layoffs

Researcher: Did you re-employ the same people?

Mister Pi: no, no, no, no (...). The majority of our recent workers were spread out between our production sites in the towns of A and N because these sites are slightly more recent. When we started hiring again, of course we asked these workers whom we had fired if they would like to come back. They rarely accepted, indeed it was extremely hard, and coming back to the same company just wasn’t possible, they told us no. No, and you have to see, the psychological shock that it represents for the personnel. They trusted us, and the company said “we don’t need you anymore”. When we went back to say that we were hiring again, the former employees said “no, we aren’t up for it anymore”.

The second factor corresponds to the interruption of contact with a friendly society. In his analysis, J. Diamond talks of the disappearance of commercial and cultural relations with another society. For our purpose we propose to provide several interpretations. The first one is linked to the loss of a network, for example when a family business passes from one generation to the next, or one or several key employees quit or retire before they have transferred essential knowledge. Inversely, success could stem from a successful transmission between several generations as attested by the President Director of C Enterprise (Figure 3 :).

Figure 3 : The role of key employees present in the enterprise for a long time

Mister C. “(...) my uncle when he retired in around 87. Then we restarted er, with my brother er, ... I’d say from 87 to 97 with the two senior managers who, who… guided us”.

The second interpretation is linked to the loss of a network from being bought out by non-family investors, which modifies links with partners. On the opposite the ability to preserve such a network and capitalize on it can enable a FB to survive, even in very adverse conditions, as illustrated in Figure 4 :

Figure 4 : The takeover of a family company by an investor

Mister G.: So er, the G company went bankrupt in 83. There was a takeover of the assets in 85 by a small company from the Paris region [Mister G is the brother in law of the founder. When
the assets were taken over he accepted to stay in the business to reassure the employees and the local community. This company which took the assets went bust since. They no longer exist (...). The boss of this small group died in 94 and his son in law took over from him. He was notoriously hopeless, a very good tennis player but still, and I started to have some major difficulties with him from 98, 97 – 98. Major, major relational difficulties. Major difficulties because I saw where they were taking us, and I refused, but we were listed on the stock exchange, and they were the majority shareholders, I had only 1% of the equity. But it was mostly during the last year that it was complicated, difficult and tense. So ... er, because I was blocking quite a lot of things. I had already been through a situation where subsidiaries had taken G Enterprise into difficult waters. So I told myself I’m going to see the opposite, it’s the parent company that is going to lead us to file for bankruptcy. What had to happen happened. I suspected it because we argued so often, we almost came to blows, it had become dangerous. [At one stage the conflicts between Mister G and the parent company took such a bad turn that he was fired. As a consequence all the employees of the G Company went on strike to force out the financial investor and ask for the return of the family. Beyond the strike, the company owes its continued existence and its return into family hands to a meeting between the family in its largest sense and major regional entrepreneurs, who accepted to invest in the business. The relational network of the family saved the company and gave control back to the family thanks to an LBO].

The third interpretation is linked to the cessation of contracts, for whatever reason. It could involve a contract with a supplier, or with an important customer. For the Pi Enterprise the 2008 crisis translated into the loss of suppliers (Figure 5), which weakened its capacities to bounce back when the economy picked up again. We also observed a loss of relations with downstream partners. For example dealers who went bankrupt during the crisis reduced the size of the distribution network. The consequence was an impoverishment of the FB network, and a loss of ability to bounce back.

**Figure 5 : Suppliers weakened by the crisis**

Mister Pi: “So yes we try to have long lasting relations with suppliers. We don’t work on an order per order basis but we have yearly contracts. What I mean is that we guarantee a workload and a volume of orders. In return we demand complete flexibility. [...] And currently we have some major problems because our suppliers can’t manage it, they fell, their sales plummeted just as much as ours during the crisis, some of them had great difficulties. Two big suppliers who were taken over by Anglo-Saxon investors nearly disappeared, so they started letting people go and everything, and so to take off again they are finding it harder than us.”

Researcher: “They may also have lost knowledge?”

Mister Pi: “They lost some know-how yes. The Anglo-Saxons started firing those that were paid the most.”

However, even when external and relational factors league together to weaken a FB, there remains the possibility to make choices. These choices depend on the values of family business members.

**Internal factors: choices, orientations and values.**
For J. Diamond, what matters as much as the above factors are the choices that a society makes collectively, guided by an elite, to overcome the problems that it is confronted to. These choices are guided by values, which determine orientations. Values constitute an essence shared between the elites and the rest of society, unified by a common destiny. For example, in the Easter Island society the elites participated in the fall of the rest of society, without the possibility to flee away. However, they had constructed a very hierarchical system that obscured the signals coming from the environment and hindered any questioning. Furthermore, any questioning would have profoundly modified the hierarchy which allowed the elite to have access to advantages, which wasn’t therefore in its immediate interest. On the contrary, J. Diamond underlines that societies in which elites live in proximity with the rest of the population are the ones which are the most capable to question their own values in order to survive.

In the FBs that have proven their sustainability, values exist, and are voluntarily transmitted from one generation to the next. There is also there is a real capacity to question which ones to keep and which ones to change in the interests of survival. For example, Robic, Barbelivien and Antheaume (2015), showed that the members of a 5th generation FB transmitted their values though specific tools and a long process of socialization. In 2012, the chairman of the board of C Enterprise, now retired, testified on how he had been pushed by his parents, uncles and aunts to work with his cousins on a mini-company created to train the upcoming generation (Figure 6). This mini company owned a bulldozer and had to negotiate contracts with the family business in order to generate sales and be a source of training for the future generation.

**Figure 6 : Working together to form common values**

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Mister C: « For the transmission that we had to undergo, we … er, we were trained to work together from 1968 onwards. So I was 15 years old and then there’s the brothers and cousins… all 7 of us were born between 51 and 54... "
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The focus in figure 7 concerns the transmission from the fourth to the fifth generation. The idea of the fourth generation was to train owner managers. At the time, it was a normal thing for parents to give orders and for children to obey. This is what made the success of the mini company. When the fifth generation started thinking about passing on the FB to the sixth generation, they had understood that they could no longer force their children like they had been forced themselves. The sixth generation would take part in the future of the family business only if they felt committed and not if they were forced. This is why the fifth generation took a softer approach to succession and organized events between cousins in order to create emotional bonds. Then, they undertook to build on this by creating a family business university to train the youngest generation to become “good shareholders”. They also created a context which would help the future CEO to emerge from this pool of siblings. Nevertheless, they also accepted the possibility that a non-family member could become CEO. Thus they accepted that what had worked for the fifth generation would not work for the sixth one. They also admitted the idea that a non-family member could run the company. This corresponds to one factors identified by J. Diamond; the values of a society that have made it successful until now can also cause it to fail in the future if they are not put into question. There must be a permanent evaluation of which values to preserve and which ones to adapt. For example, the Vikings of Greenland, a society that lasted 450 years, collapsed because they held on to their identity as Christian peasant farmers, rather than adopting certain aspects of Inuit life, a people whom the Vikings deeply despised. On the contrary, Japan in the 18th century avoided collapse by
transforming its social, economic and justice structures to redistribute power to certain social classes. This was decided in order to promote innovation and regulate forestry.

We will now move on to the second part of the analysis of Jared Diamond, which concerns the process by which these factors come into play.

### 3.2 A dynamic analysis

The analysis of J. Diamond goes beyond presenting a list of static factors. In a second part of his work the author looks at the processes through which collapse or survival takes place and examines the dynamic capabilities that a society possesses or not in order to survive. This analysis is transferable in the form of an algorithm. At each stage of the algorithm we can associate certain capabilities, as presented in Figure 7.

#### 1. The capacity to anticipate a problem before it happens

The first stage in the process concerns the ability of a group to anticipate a problem before it happens, and the author provides the example of the havoc caused by British colonists when they introduced rabbits and foxes to Australia at the beginning of the 19th century. These two species caused, and continue to cause, considerable damage, which adds to the no less considerable cost of trying in vain to eradicate them. In his work the author lists the reasons why this type of event cannot be anticipated, and continues to happen, even when there is previous experience in the matter.

Amongst the FBs we studied, some occasionally faced crises caused by problems that the family failed to anticipate (a failed internationalization because of a lack of control of distribution channels, unsold inventory because of a bad anticipation of the economic context …). Nevertheless, if the companies we studied faced anticipation problems they seem to be no different from other businesses. On the contrary, other factors specific to FBs come into play to correct them. For example, thanks to their relationship with their local communities and their business peers, the owners of FBs in our panel were often able to make timely decisions about product and service specialization that brought them business, by anticipating in a remarkable way the growth of certain markets. Moreover, these anticipations proved to be valid over periods of more than 20 years.

Even if the luck factor is not to be excluded, the analysis of our panel, when cross-referencing interviews with press articles, is that most of the anticipations we observed stemmed from conscious reasoning and a bet. When writing these lines we have in mind, for example, Company P, which specialized at exactly the right time in structural work for collective concrete buildings, at a time where demographic expansion and the actions of the French state made this specialization profitable. If they do not always anticipate problems however, sustainable FBs have an ability to anticipate opportunities. This anticipation is made possible despite the small size of the businesses by an ability of the family to connect itself to numerous professional and personal networks. The longer the family has been running the FB the more it is known locally and the more networks it has access to.

#### 2. Capacity to identify that a problem is a threat once it exists
Once a problem has occurred, the next question identified by Jared Diamond (question 3 of Figure 7), is the capacity to recognize that a problem truly is a problem once it exists. An incapacity can be due to three elements. The first is that the problem, with the current level of knowledge, is simply undetectable. It is the case, for example, for human societies that are established on land in which soil nutrients have already been washed away by rain before the arrival of humans. Consequently, even if these soils, like those of tropical forests, support what appears to be lush vegetation, giving the impression that the soil is very rich, this is not truly the case. This is not obvious in the absence of sufficient knowledge. Therefore the crops introduced by the colonists rapidly exhausted the rare nutrients that remained, and attempts at developing agriculture failed. The second element is the geographical distance of political actors. When the leaders of a society are far away from where the problem takes place, they can only react late, and often too late. Finally the third element mentioned is known as creeping normality, which states that when a phenomenon evolves very slowly, as a general trend, with important fluctuations from one year to the next, the fluctuations hide the trend and what is seen as normal is modified from one year to another.

If the owners of a FB are not better protected against the pitfalls of a lack of knowledge or the phenomenon of creeping normality, it seems nevertheless, yet again, that their links with their local communities and their business peers give them an advantage in detecting problems more rapidly. Even so, detecting a problem is no guarantee of the ability to solve it.

3. and 4. Capacity to solve a problem that has been recognized

Once a problem has been identified and acknowledged, comes the time to look for technical, organizational and political solutions. J. Diamond centers his analysis on the strategic reasoning of the political elites who can hinder the search for such solutions. His explanation is based on the configurations of “rational behaviors” which result in a trade-off in favor of the interests of a small minority, to the detriment of society at large. Thus, the author asserts that some actors conclude that it is in their interest to leave a problem as it currently is, because they will be able to gain a considerable benefit from it, while the losses for the rest of society will be spread over a large number of individuals. Each will therefore support only a small loss. There is an important disproportion between an active minority that can organize itself to defend its interests and a passive majority, inside of which only a few individuals will be tempted to act because of the small individual benefit that they will gain. We have not yet had the opportunity to observe this type of attitude within our panel of FBs.
Figure 7: the dynamic capacities of a company to react in the face of a problem, the analytical framework of J. Diamond

1. Capacity to anticipate a problem before it happens
   - Yes
   - No
   - Anticipation provides more time to prepare.

   A. Does the problem occur?
      - Yes
      - No
      - Return to phase 1.

2. Capacity to recognize the problem as a threat
   - Yes
   - No
   - Recognizing the problem allows for solutions to be found.

   B. Do technical solutions allow the problem to be solved?
      - Yes
      - No
      - Survival is possible as long as the impact of the problem isn’t critical. In this case return to question B. If not collapse will happen because of technical incapacity.

3. Capacity to decide what solutions should be applied and which values should be reappraised
   - Yes
   - No
   - Survival is possible as long as the impact of the problem isn’t critical. In this case return to phase 3. If not collapse will happen because of political incapacity.

4. Capacity to implement the selected decisions
   - Yes
   - No
   - There is a chance for survival.

   C. Do the implemented solutions work?
      - Yes
      - No
      - Survival until the next problem.
3.3 **The responsibility of elites: a question of values**

In this section we will examine three variables that concern the responsibility played by elites in facilitating or not, a change (the tragedy of the commons, isolation of the elites from the consequences of their decisions, denial).

It is by widening the analysis of J. Diamond that another type of conflict of interest appears in the form of the tragedy of the commons. A collectively owned resource is overexploited and put into peril, due to the lack of regulation mechanisms. As long as each individual continues to think that there is a possibility to profit from this resource, at the expense of others, no regulation will be put into place. Elites play an important role in enabling, or not, such regulations.

The elites, secluded in their bubble, could make decisions that are harmful to the rest of society, but from which they would not suffer. On the contrary, the immersion of elites in society pushes them to take into account the consequences of their actions. Diamond thus expresses concern for the growing phenomena of gated communities in numerous countries, which are a sign of the reclusion of elites. Access to these “secured” zones, to clean drinking water in bottles, to helicopter transport, to clinics and a private education system allow for several leaders to protect themselves from the consequences of decisions that could weaken hospitals and public schools, create security problems from a lack of police, traffic jams from insufficient infrastructure… Inversely Jared Diamond proves that the strong environmental concerns of the Dutch, and their political leaders, comes from the fact that a large part of the population, including its leaders, lives below sea level, on polders, and that they would all, without exception, suffer terrible consequences if the dams which contain the sea were badly looked after.

If we look at sustainable FBs with such lenses, it seems that powerful links with local communities, strong value systems and stewardship limit opportunistic behaviors. Furthermore the concentration of power that goes with family ownership provides short decision making processes which allow for reactivity. Quotes extracted from our interviews clearly illustrate the immersion of FB owners and their strong local and business networks, (Figure 8). The extracts we chose show that close personal relations with local workers or business leaders limit both the narrow opportunistic behaviour of leaders but also have the effect of limiting the consequences of such behaviour from stakeholders.

**Figure 8 : The link with the local and business communities. Extracts from an interview with Mister G, owner of G Company.**

On one hand I would say that when you’ve seen what I’ve seen during my career and the companies that have failed because they made the wrong choices when it came to networks and all the rest, you need to be close to your distribution networks. You need to make sure you’re respected wherever you are. As I told the leaders of Confo and But (two French white good stores), that I know well, that I speak to as friends]…[ you have power over me but there is one power that you don’t have and that is to force me to sell at a loss. It’s my duty to respect the work of the company. If I only make 1% then I’ll agree to work with you, but at a loss never.]…[ Yes we consider that we can’t survive without knowing people. So my duty, even if for But and Confo (two French white good stores) I do not deal with operations as we have teams for that,
my duty is to know them well. But when I say know them well, know them really well. I and the president of Confo, dine together 3 times a year, the president of But as well. It’s my goal; I want us to talk, so that we know each other well. When we have things to say to each other we say them. ]…[ Yes. As I said at our yearly meeting with the employees, I said companies are going elsewhere, we won’t be French either because we want to stay in Vendée (Note: Vendée is a region located in the West of France). We want to stay in Vendée, we will remain there. ]…[

In my opinion what is a bit different in our systems compared to most companies is that I was born here. So I am from the region, ok. Then, and it may surprise you but I’ve got some great pals in the small village that I live in and I play tarot (a French card game) with them. But I also play tarot with the people who work on the production lines with us. When we play, if I have to screw them I’ll screw them. If they want to screw me they’ll screw me. I take pleasure in it because I like card games but also because we spend some great time together. We go to each other’s place. So … er, we have our tarot team and it makes me feel good even if I’m coming back from a complicated trip or if I have had a hard week. It’s not their problem. I don’t go to them to explain my week, I go to them and we play cards.

Researcher: And have something to drink?

… or a nice glass of wine. We stop at quarter past midnight. It’s part of my way of life in a small village, I know the people, less than my wife does because she knows them better than I do. But we have these types of relationships between us. I’m not self-conscious about it. One day I remember, I’m a great fan of wine and I have a cellar, I have a bourgeois house, and finally I’ve got some good Bordeaux bottles. I’ve got wine and then, … er, my father told me but … er, when you are with your employees they can come to the cellar and drink the wines that you have. I told him that I didn’t mind at all, I don’t even think about it because well it happens to me regularly. This difference comes more from our origins in fact, my father was a farmhand, he raised 8 children.

Another contextual factor that is put forward by Jared Diamond to explain collapses, or on the contrary the survival of certain societies, resides in the values that they identify and which define what is acceptable or not among the solutions to the problems that they have identified. Since we already dealt with the subject of values in the previous section, we will show here how they can obscure scientific evidence, proof of feasibility for solutions and cause collapse.

This refers to question 3, Figure 7. The author asks to which extent a given society would rather die rather than change its values and survive. At an individual level numerous people have been confronted to this question. Collectively, it has been the same for numerous societies that have had to question the intangibility or not of the values that founded them and which constitutes their collective cement. As concerns FBs, these very values which laid the foundations for past sustainability could pretty well be the ones which could put their future at risk. Let us take the example of the founder of Majorette, a company that he led to become a world leader in the field of miniature cars. His bond with local communities and the commitment to preserve French jobs, are certainly part of the values that made the company go bankrupt in 1992, when faced with increased competition due to economies of scale and lower wages from competitors in South East Asia. Even though the founder of Majorette had plenty of evidence that his company was not competitive and had to move factories to countries with low labor costs, he did not make the move. In his history of family enterprise, Colli (2000)
provides several examples of FBs which have disappeared because of a commitment to strong values.

Among the business owners that we interviewed we noticed how much they always wonder which values are core and which ones could be changed. Figure 9 and Figure 10 illustrate this. Maybe this almost constant introspection about values should be interpreted as a good sign that the family is willing to put itself into question.

**Figure 9 : Interview with family B, founders of company B – The tree of values.**

<table>
<thead>
<tr>
<th>Researcher 1: Do have an organizational chart and do you change it often? Do you have a document?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daughter B: Yes we do but it is a photo at a given time. We tend to look more at the tree of life.</td>
</tr>
<tr>
<td>Researcher 2: And you have shared that tree of life with the rest of the organization?</td>
</tr>
<tr>
<td>Daughters B: Yes.</td>
</tr>
<tr>
<td>Researcher 3: And is it on the website?</td>
</tr>
<tr>
<td>Family B: No it's internal.</td>
</tr>
<tr>
<td>Daughter B: It’s our tree of life which translates what motivates us.</td>
</tr>
<tr>
<td>Mother B: It’s a real tree that was given to us, after 50 years of activity.</td>
</tr>
<tr>
<td>Daughter B: All the roots, all the values that we have acquired over time, on which we can always rely: finding solutions in the face of difficulty, strict management, financial independence and the liberty to do whatever we want to do, innovation and inventiveness, both in terms of products and in organization. We are always changing to adapt to new contexts, the notion of adaptability. Social cohesion has been an important root since the beginning, permanent dialogue. Business expertise, each time the company developed, it gained new crafts. Chance taking, in France we talk more of risk taking, but we found that it was more positive to talk of chance taking.</td>
</tr>
<tr>
<td>Daughter B: Those that don’t take risks, have no chance of winning.</td>
</tr>
<tr>
<td>Mother B: The tree isn’t here, it’s at home.</td>
</tr>
<tr>
<td>Researcher 1: The choice of a tree? Was that you? Was there a work on symbolism?</td>
</tr>
<tr>
<td>Family B: Yes.</td>
</tr>
<tr>
<td>Researcher 1: We ask this of all our contacts: what has changed and what hasn’t changed since the creation of your family business?</td>
</tr>
</tbody>
</table>
Daughter B: What hasn’t changed is our values, the roots of the tree, because otherwise everything else has changed, the products have really evolved. The products change, the organizations change as well.

**Figure 10**: Interview with Mister G., everything can and should change, except the respect for the personnel.

... I can tell you that you shouldn’t be afraid of change. Change is a second nature, but it’s also an obligation. Adaptation. There is only one thing that shouldn’t change, and that’s ethics and the respect of men and women. That can’t change, I’m much attached to it and my son too. The only way to be respected is to respect others.

Although it is speculative, Jared Diamond has identified psychological denial as a reason for which values are not put into question despite evidence that they can cause harm. Psychological denial is a well-documented phenomena in individual psychology but which the author also applies to groups. To explain in what it consists he uses the example of a narrow valley which has a dam. If the dam breaks then all the inhabitants of the valley would be washed away. When the inhabitants are asked about the fear of the dam breaking, it appears to be of little importance to those inhabitants living far away from the dam and increases gradually as we approach the dam to reach its peak a few kilometers from it, before descending to be practically inexistent for the inhabitants closest to the installation. The concealment of the risk is possibly, for these people, the only way to live a normal everyday life. Our research on FB has not yet provided evidence of this factor. However, the example of Majorette mentioned above makes us think that psychological denial may have been a mechanism which explains why the owner refused to question his values. Therefore it may be the reason why values are not changed.

As a conclusion to this third part, table 1 provides a translation of the key factors identified in JD’s model into the language of management to facilitate further research based on this framework.

**Table 1**: An adaptation of the framework of J. Diamond to the field of FBs
Using JD’s framework to generate questions for future research from individual level to macro level

In the previous part we successfully matched some dimensions of JD’s model with examples from our database of interviews, thus providing an indication that it was a relevant area of research. We now need to show how the framework can be connected with different levels of analysis traditionally used in the field of FBs. Let us look again at each single stage of the process described Figure 7 and investigate this issue.

In this part we list each phase of figure 7 and identify the levels of analysis with which they can be linked and suggest questions for further research.

4.1 Phase 1: Capacity to anticipate a problem before it happens

For this phase we identified at least four levels of analysis and related research questions.

At an individual level, are family members able to relate trends in an organization’s environment with the activities of the family business and do they understand how the FB could be affected? We suggest that the concepts of embeddedness, social capital, resource based view and socioeconomic wealth may be useful to answer these questions.

At a family level, what debates do individual family members have with each other? Is there evidence in these debates of an anticipation of problems? What is the ability of an individual to convince the rest of his family? We suggest that the concepts of familiness and stewardship may be useful to answer these questions. Because of their intention to preserve the
socioeconomic wealth of the family, FB members will be on the lookout for any threat to the existing SEW. If the family has the project of transmitting the FB to the next generation this may give them an advantage over non-family businesses with managers whose time horizon does exceed the average employment time in a typical company.

At a family business level what routines have put into place and do they either facilitate anticipation or hinder it? How are individuals successful or not in changing the routines of the organization to better anticipate? And how should routines be designed to capture an understanding of the macro level of the environment? We suggest that the concepts of psychological ownership and social capital may be useful to answer these questions.

4.2 Phase 2: Capacity to recognize the problem as a threat

At this stage of the process, researchers will need to understand how and why individuals admit there is a problem or why they deny it and how they manage, or not, to convince family members. Individual factors come into play but also the incentives provided by the family, the organization or by the general economic environment.

What would be needed here is to understand what may cause psychological denial or on the contrary acceptance and solving of the problem. The answer to this question may come from individual cognitive factors. However it is also linked to the signals that individuals receive from family members, employees of the family business and networks to which the family belongs. The concepts which could useful are the following: stewardship, familiness, RBV, behavioral agency theory, SEW.

4.3 Phase 3: Capacity to decide what solutions should be applied and which values should be reappraised

In order to investigate one needs to understand who has an incentive to change, who holds the power to change and who will be affected by the change.

This requires looking at individuals, groups, business and their networks and at the business environment. We need to understand the individual level and how an aggregation of interests can lead to an organized action or to a lack of action. In the case of FBs because of a close bond with local communities family members cannot hide from the population. The concept of SEW would be very useful to help us understand what would be lost or gained for each of the changes considered.

4.4 Phase 4: Capacity to implement the selected decision

Once a decision has been identified as the best one, implementation depends on the elites’ power to enforce it and on their legitimacy to use legal violence if needed. For that to happen there needs to be a consensus between all the parties who hold the power or there needs to be only one ruler. This requires connecting analysis at the individual level with social dynamics to understand how consensus is formed. In the case of long-lasting FBs we noticed that family members manage to put away their differences in order to preserve the interest of the family business (Antheaume et al., 2013; Gersick et al., 1999; Robic et al., 2015; Ward, 2011). The “glue” that holds individuals together in FBs can be attributed to such concepts as
familiness, psychological ownership and stewardship. Agency theory with a contract between agent and principal can also be an interesting concept for some FBs with large families because emotional “glue” may not be enough, and may need to be complemented by family pacts, charters and contracts.

To conclude this fourth part, although the framework provided by JD links all the levels of analysis from the individual to the macro level, although it enables to question longevity in a new way, it does not replace or encompass other frameworks. It is a new piece of the puzzle. We now need to look how our review of literature and our exploration of JD’s framework can be integrated into one comprehensive framework of frameworks.

**Conclusion: linking literature with time horizon and levels of analysis: in search of an integrative model**

Now that we have reviewed the literature in part 1, and shown how fragmented it is, now that we have identified how the framework of JD can contribute to the research on FB, we propose a framework of frameworks that is based on two dimensions: levels of analysis and time horizon.

The data analysed by JD was historical and a retrospective of societies that had died or survived. In the previous part we translated the retrospective analysis of JD into questions that can be used for prospective analysis and identify potential weaknesses of FBs in the present tense with a focus on very long term consequences. This, we believe, is the original contribution of JD’s framework to the field of FB sustainability. Figure 11 provides a mapping of the literature we reviewed according to time horizon and level of analysis. On this figure we show where the framework of J. Diamond fits in to fill the gap we identified.

*Figure 11 : A framework of the frameworks*
Despite differences in the object of the study, in the periods taken into account and the geographical cover of the research proposed by Jared Diamond, his framework is partly transferable and promising to enrich our research on the sustainability of FBs. It does provide a way to link and integrate the different concepts in the field of FB. It has the potential to explain why businesses die or survive because it asks questions differently and relates them in a process.

There is however one important difference between the societies which Diamond studied in order to determine a theoretical framework. One of the primary causes that Diamond identified in his research is climate change that was caused by natural phenomena over which humans had no impact (for example, a volcanic eruption which caused a cooling of the climate). By contrast the major external changes that we identified in our panel of FBs are not of the same nature. Indeed, nowadays, be it climate change, or the financial crisis, it is now admitted that these changes are caused by human actions. A second element is that these changes take place over decades and not centuries or thousands of years leaving little time for adjustments. The fact that humans cause changes at a faster pace than before does not leave time for ecosystems and human societies to adapt. Both human action and an acceleration of environmental changes have signaled to scientists the coming of a new era. We have moved from the age of Holocene where changes were caused by environmental forces over extremely long time periods (thousands to millions of years) to the one of Anthropocene (Latour, 2014) where environmental changes are happening because of human action and over very short time spans.

Table 2 is a summary of the differences between the analytical model of Jared Diamond and the adaptations that are required.
Table 2 : Synthesis of the context differences between the model proposed by JD and the model of the Anthropocene

<table>
<thead>
<tr>
<th>Model of JD (Holocene)</th>
<th>Model of the Anthropocene</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predominance of impacts linked to elements alien to human societies, mainly unpredictable; shared responsibility of the society and the individual</td>
<td>Predominance of elements linked to individual human action and the multiplicity of negative externalities due to internal decisions of companies.</td>
</tr>
<tr>
<td>Predominance of a collective culture (detrimental to the individual)</td>
<td>Dominance of individualism, despite the necessity for collective answers.</td>
</tr>
<tr>
<td>Predominance of local impacts, limited in time and space.</td>
<td>Global impacts with domino effects linked to the interconnection between our economies and our companies.</td>
</tr>
<tr>
<td>Hence solutions and actions based on the preparation for every eventuality, including those that consist in abandoning a depleted territory.</td>
<td>Hence searching for solutions globally and not just individually, the need to cultivate deep awareness of the connected network that each FB is embedded in. This awareness is (possibly) the mark of this type of capitalism (family), more local and involved that modern capitalism (founded on the separation between owners and management).</td>
</tr>
</tbody>
</table>

Nevertheless, be they from natural or human forces, these changes have in common that no individual can solve them alone. Solutions have to be found at the level of society. Jared Diamond’s framework provides a process for analyzing each step that leads to survival with a multilevel perspective.

As a conclusion the research of Jared Diamond does provide opportunities for future research in the field of FBs and is useful in linking more than two levels of analysis together so as to provide a richer understanding of why FBs die or survive. It is also an opportunity for the reconciliation of two strands of literature in the field of management:

- On the sustainability of FBs, using the concepts of familiness, stewardship, resilience, long term vision, which provide explanations on actions of family members, resources that they create and use. The emphasis is put on acting at a local level, interacting with the environment and learning.

This will be the subject of another article.

Bibliography


